

AMENDED IN SENATE JULY 27, 2003

AMENDED IN SENATE JULY 8, 2003

AMENDED IN SENATE JUNE 16, 2003

AMENDED IN ASSEMBLY MAY 1, 2003

AMENDED IN ASSEMBLY APRIL 10, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1382

Introduced by Assembly Member Correa

February 21, 2003

An act to amend Sections 7071.17, 7085.5, 7085.6, 7090.1, 7099.2, 7121, 7122.1, and 7143 of the Business and Professions Code, relating to contractors.

LEGISLATIVE COUNSEL'S DIGEST

AB 1382, as amended, Correa. Contractors: arbitration, civil penalties, and licensing.

(1) Existing law, the Contractors' State License Law, provides for licensing and regulation of contractors by the Contractors' State License Board. Existing law establishes an arbitration process administered by the board to resolve disputes between contractors and consumers. The failure of a contractor to comply with an arbitration award results in the automatic suspension of the contractor's license by operation of law within 30 days following notification of the contractor by the board, and results in revocation of the license after one year in the absence of a reinstatement request made by the contractor upon

complying with the arbitration award. Existing law provides a similar license suspension and revocation process relative to a contractor who fails to pay a civil penalty or comply with an order of correction or an order to pay a specified sum to an injured party in lieu of correction.

This bill, in both of the situations described above, would instead provide for the revocation of the license within 90 days, but would authorize the registrar of the board, for good cause, to delay the revocation for not more than one year.

(2) Existing law authorizes an arbitrator to grant any remedy or relief deemed just and equitable and within the scope of the board's referral to the arbitrator and the requirements of the board, including specific performance of a contract as well as monetary damages.

This bill would delete the authority of an arbitrator to order specific performance of a contract *but would specify that it would not prevent an arbitrator from awarding a complainant all direct costs and expenses for the completion or repair of the project.*

(3) Existing law requires the board to pay the expenses of one expert witness in an arbitration proceeding upon the request of either party.

This bill would require the board to pay those expenses only if the case involves workmanship issues.

(4) Existing law provides that a contractor who refuses to pay a final court judgment or final arbitration award relative to failing to pay a contractor, consumer, materials supplier, or employee must file a judgment bond with the board that is sufficient to guarantee payment of the judgment, in order for the contractor to be licensed.

This bill would revise these provisions and make other related changes.

(5) Existing law authorizes the board to assess a civil penalty not exceeding \$2,000 upon its licensees for specified violations of the Contractors' State License Law.

This bill would increase the amount of this civil penalty up to \$5,000.

(6) Existing law prohibits any person whose license was denied, revoked, or suspended who had knowledge and participated in the acts for which the license was denied, revoked or suspended, from serving as a member, officer, director, or associate of a licensee.

This bill would exempt from this prohibition a person whose license was denied for failure to document sufficient satisfactory experience for a supplemental classification for an existing license.



(7) Existing law prohibits a partner or managing officer or employee from disassociating himself or herself from a license after receiving a citation in order to avoid complying with the citation.

This bill would instead prohibit a partner or managing officer or employee from disassociating himself or herself from a license after an act or omission that resulted in a citation in order to avoid complying with the citation.

(8) Existing law allows a suspended contractor's license to be renewed only as an inactive license and prohibits a contractor from engaging in licensed activity until the license is reinstated.

This bill would instead authorize the renewal of an expired license which has been suspended as an active license but would prohibit a contractor with a suspended license from engaging in any activity relating to the license until the license is reinstated.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7071.17 of the Business and Professions
2 Code is amended to read:
3 7071.17. (a) Notwithstanding any other provision of law, the
4 board shall require, as a condition precedent to accepting an
5 application for licensure, renewal, reinstatement, or to change
6 officers or other personnel of record, that an applicant, previously
7 found to have failed or refused to pay a contractor, subcontractor,
8 consumer, materials supplier, or employee based on an unsatisfied
9 final judgment, file or have on file with the board a bond sufficient
10 to guarantee payment of an amount equal to the unsatisfied final
11 judgment or judgments. The applicant shall have 90 days from the
12 date of notification by the board to file the bond or the application
13 shall become void and the applicant shall reapply for issuance,
14 reinstatement, or reactivation of a license. The board may not
15 issue, reinstate, or reactivate a license until the bond is filed with
16 the board. The bond required by this section is in addition to the
17 contractor's bond. The bond shall be on file for a minimum of one
18 year, after which the bond may be removed by submitting proof
19 of satisfaction of all debts. The applicant may provide the board
20 with a notarized copy of any accord, reached with any individual
21 holding an unsatisfied final judgment, to satisfy a debt in lieu of

1 filing the bond. The board shall include on the license application
2 for issuance, reinstatement, or reactivation, a statement, to be
3 made under penalty of perjury, as to whether there are any
4 unsatisfied judgments against the applicant on behalf of
5 contractors, subcontractors, consumers, materials suppliers, or the
6 applicant's employees. Notwithstanding any other provision of
7 law, if it is found that the applicant falsified the statement then the
8 license will be retroactively suspended to the date of issuance and
9 the license will stay suspended until the bond, satisfaction of
10 judgment, or notarized copy of any accord applicable under this
11 section is filed.

12 (b) Notwithstanding any other provision of law, all licensees
13 shall notify the registrar in writing of any unsatisfied final
14 judgment imposed on the licensee. If the licensee fails to notify the
15 registrar in writing within 90 days, the license shall be
16 automatically suspended on the date that the registrar is informed,
17 or is made aware of the unsatisfied final judgment. The suspension
18 shall not be removed until proof of satisfaction of the judgment,
19 or in lieu thereof, a notarized copy of an accord is submitted to the
20 registrar. If the licensee notifies the registrar in writing within 90
21 days of the imposition of any unsatisfied final judgment, the
22 licensee shall, as a condition to the continual maintenance of the
23 license, file or have on file with the board a bond sufficient to
24 guarantee payment of an amount equal to all unsatisfied judgments
25 applicable under this section. The licensee has 90 days from date
26 of notification by the board to file the bond or at the end of the 90
27 days the license shall be automatically suspended. In lieu of filing
28 the bond required by this section, the licensee may provide the
29 board with a notarized copy of any accord reached with any
30 individual holding an unsatisfied final judgment.

31 (c) By operation of law, failure to maintain the bond or failure
32 to abide by the accord shall result in the automatic suspension of
33 any license to which this section applies.

34 (d) A license that is suspended for failure to comply with the
35 provisions of this section can only be reinstated when proof of
36 satisfaction of all debts is made, or when a notarized copy of an
37 accord has been filed as set forth under this section.

38 (e) This section applies only with respect to an unsatisfied final
39 judgment that is substantially related to the construction activities



1 of a licensee licensed under this chapter, or to the qualifications,
2 functions, or duties of the license.

3 (f) Except as otherwise provided, this section shall not apply
4 to an applicant or licensee when the financial obligation covered
5 by this section has been discharged in a bankruptcy proceeding.

6 (g) Except as otherwise provided, the bond shall remain in full
7 force in the amount posted until the entire debt is satisfied. If, at
8 the time of renewal, the licensee submits proof of partial
9 satisfaction of the financial obligations covered by this section, the
10 board may authorize the bond to be reduced to the amount of the
11 unsatisfied portion of the outstanding judgment. When the
12 licensee submits proof of satisfaction of all debts, the bond
13 requirement may be removed.

14 (h) The board shall take the actions required by this section
15 upon notification by any party having knowledge of the
16 outstanding judgment upon a showing of proof of the judgment.

17 (i) For the purposes of this section, the term “judgment” also
18 includes any final arbitration award where the time to file a petition
19 for a trial de novo or a petition to vacate or correct the arbitration
20 award has expired, and no petition is pending.

21 (j) The qualifying person and any member of the licensee or
22 personnel of the licensee named as a judgment debtor in an
23 unsatisfied final judgment shall be automatically prohibited from
24 serving as an officer, director, associate, partner, owner, qualifying
25 individual, or other personnel of record of another licensee. This
26 prohibition shall cause the license of any other existing renewable
27 licensed entity with any of the same personnel of record as the
28 judgment debtor licensee to be suspended until the license of the
29 judgment debtor is reinstated or until those same personnel of
30 record disassociate themselves from the renewable licensed entity.

31 (k) For purposes of this section, a cash deposit may be
32 submitted in lieu of the bond.

33 (l) Notwithstanding subdivision (f), the failure of a licensee to
34 notify the registrar of any unsatisfied final judgment in accordance
35 with this section is cause for disciplinary action.

36 SEC. 2. Section 7085.5 of the Business and Professions Code
37 is amended to read:

38 7085.5. Arbitrations of disputes arising out of cases filed with
39 or by the board shall be conducted in accordance with the
40 following rules:

1 (a) All “agreements to arbitrate” shall include the names,
2 addresses, and telephone numbers of the parties to the dispute, the
3 issue in dispute, and the amount in dollars or any other remedy
4 sought. The appropriate fee shall be paid by the board from the
5 Contractors’ License Fund.

6 (b) (1) The board or appointed arbitration association shall
7 appoint an arbitrator in the following manner: immediately after
8 the filing of the agreement to arbitrate, the board or appointed
9 arbitration association shall submit simultaneously to each party
10 to the dispute, an identical list of names of persons chosen from the
11 panel. Each party to the dispute shall have seven days from the
12 mailing date in which to cross off any names to which it objects,
13 number the remaining names to indicate the order of preference,
14 and return the list to the board or appointed arbitration association.
15 If a party does not return the list within the time specified, all
16 persons named in the list are acceptable. From among the persons
17 who have been approved on both lists, and in accordance with the
18 designated order of mutual preference, the board or appointed
19 arbitration association shall appoint an arbitrator to serve. If the
20 parties fail to agree on any of the parties named, if acceptable
21 arbitrators are unable to act, or if, for any other reason, the
22 appointment cannot be made from the submitted lists, the board or
23 appointed arbitration association shall have the power to make the
24 appointment from among other members of the panel without the
25 submission of any additional lists. Each dispute shall be heard and
26 determined by one arbitrator unless the board or appointed
27 arbitration association, in its discretion, directs that a greater
28 number of arbitrators be appointed.

29 (2) In all cases in which a complaint has been referred to
30 arbitration pursuant to subdivision (b) of Section 7085, the board
31 or the appointed arbitration association shall have the power to
32 appoint an arbitrator to hear the matter.

33 (3) The board shall adopt regulations setting minimum
34 qualification standards for listed arbitrators based upon relevant
35 training, experience, and performance.

36 (c) No person shall serve as an arbitrator in any arbitration in
37 which that person has any financial or personal interest in the result
38 of the arbitration. Prior to accepting an appointment, the
39 prospective arbitrator shall disclose any circumstances likely to
40 prevent a prompt hearing or to create a presumption of bias. Upon

1 receipt of that information, the board or appointed arbitration
2 association shall immediately replace the arbitrator or
3 communicate the information to the parties for their comments.
4 Thereafter, the board or appointed arbitration association shall
5 determine whether the arbitrator should be disqualified and shall
6 inform the parties of its decision, which shall be conclusive.

7 (d) The board or appointed arbitration association may appoint
8 another arbitrator if a vacancy occurs, or if an appointed arbitrator
9 is unable to serve in a timely manner.

10 (e) (1) The board or appointed arbitration association shall
11 provide the parties with a list of the times and dates, and locations
12 of the hearing to be held. The parties shall notify the arbitrator,
13 within seven calendar days of the mailing of the list, of the times
14 and dates convenient to each party. If the parties fail to respond to
15 the arbitrator within the seven-day period, the arbitrator shall fix
16 the time, place, and location of the hearing. An arbitrator may, at
17 the arbitrator's sole discretion, make an inspection of the
18 construction site which is the subject of the arbitration. The
19 arbitrator shall notify the parties of the time and date set for the
20 inspection. Any party who so desires may be present at the
21 inspection.

22 (2) The board or appointed arbitration association shall fix the
23 time, place, and location of the hearing for all cases referred to
24 arbitration pursuant to subdivision (b) of Section 7085. An
25 arbitrator may, at the arbitrator's sole discretion, make an
26 inspection of the construction site which is the subject of the
27 arbitration. The arbitrator shall notify the parties of the time and
28 date set for the inspection. Any party who desires may be present
29 at the inspection.

30 (f) Any person having a direct interest in the arbitration is
31 entitled to attend the hearing. The arbitrator shall otherwise have
32 the power to require the exclusion of any witness, other than a
33 party or other essential person, during the testimony of any other
34 witness. It shall be discretionary with the arbitrator to determine
35 the propriety of the attendance of any other person.

36 (g) Hearings shall be adjourned by the arbitrator only for good
37 cause.

38 (h) A record is not required to be taken of the proceedings.
39 However, any party to the proceeding may have a record made at

1 its own expense. The parties may make appropriate notes of the
2 proceedings.

3 (i) The hearing shall be conducted by the arbitrator in any
4 manner which will permit full and expeditious presentation of the
5 case by both parties. Consistent with the expedited nature of
6 arbitration, the arbitrator shall establish the extent of, and schedule
7 for, the production of relevant documents and other information,
8 the identification of any witnesses to be called, and a schedule for
9 any hearings to elicit facts solely within the knowledge of one
10 party. The complaining party shall present its claims, proofs, and
11 witnesses, who shall submit to questions or other examination. The
12 defending party shall then present its defenses, proofs, and
13 witnesses, who shall submit to questions or other examination. The
14 arbitrator has discretion to vary this procedure but shall afford full
15 and equal opportunity to the parties for the presentation of any
16 material or relevant proofs.

17 (j) The arbitration may proceed in the absence of any party
18 who, after due notice, fails to be present. The arbitrator shall
19 require the attending party to submit supporting evidence in order
20 to make an award. An award for the attending party shall not be
21 based solely on the fact that the other party has failed to appear at
22 the arbitration hearing.

23 (k) The arbitrator shall be the sole judge of the relevancy and
24 materiality of the evidence offered and conformity to legal rules
25 of evidence shall not be required.

26 (l) The arbitrator may receive and consider documentary
27 evidence. Documents to be considered by the arbitrator may be
28 submitted prior to the hearing. However, a copy shall be
29 simultaneously transmitted to all other parties and to the board or
30 appointed arbitration association for transmittal to the arbitrator or
31 board appointed arbitrator.

32 (m) The arbitrator shall specifically inquire of the parties
33 whether they have any further proofs to offer or witnesses to be
34 heard. Upon receiving negative replies, the arbitrator shall declare
35 the hearing closed and minutes thereof shall be recorded. If briefs
36 are to be filed, the hearing shall be declared closed as of the final
37 date set by the arbitrator for the receipt of briefs. If documents are
38 to be filed as requested by the arbitrator and the date set for their
39 receipt is later than that set for the receipt of briefs, the later date
40 shall be the date of closing the hearings. The time limit within

1 which the arbitrator is required to make the award shall commence
2 to run, in the absence of other agreements by the parties, upon the
3 closing of the hearings.

4 (n) The hearing may be reopened on the arbitrator's own
5 motion.

6 (o) Any party who proceeds with the arbitration after
7 knowledge that any provision or requirement of these rules has not
8 been complied with, and who fails to state his or her objections to
9 the arbitrator in writing, within 10 calendar days of close of
10 hearing, shall be deemed to have waived his or her right to object.

11 (p) (1) Except as provided in paragraph (2), any papers or
12 process necessary or proper for the initiation or continuation of an
13 arbitration under these rules and for any court action in connection
14 therewith, or for the entry of judgment on an award made
15 thereunder, may be served upon any party (A) by regular mail
16 addressed to that party or his or her attorney at the party's last
17 known address, or (B) by personal service.

18 (2) Notwithstanding paragraph (1), in all cases referred to
19 arbitration pursuant to subdivision (b) of Section 7085 in which
20 the contractor fails or refuses to return an executed copy of the
21 notice to arbitrate within the time specified, any papers or process
22 specified in paragraph (1) to be sent to the contractor, including the
23 notice of hearing, shall be mailed by certified mail to the
24 contractor's address of record.

25 (q) The award shall be made promptly by the arbitrator, and
26 unless otherwise agreed by the parties, no later than 30 calendar
27 days from the date of closing the hearing, closing a reopened
28 hearing, or if oral hearing has been waived, from the date of
29 transmitting the final statements and proofs to the arbitrator.

30 The arbitrator may for good cause extend any period of time
31 established by these rules, except the time for making the award.
32 The arbitrator shall notify the parties of any extension and the
33 reason therefor.

34 (r) (1) The arbitrator may grant any remedy or relief that the
35 arbitrator deems just and equitable and within the scope of the
36 board's referral and the requirements of the board. The arbitrator,
37 in his or her sole discretion, may award costs or expenses.

38 (2) *The amendments made in paragraph (1) during the*
39 *2003–04 Regular Session shall not be interpreted to prevent an*

1 *arbitrator from awarding a complainant all direct costs and*
2 *expenses for the completion or repair of the project.*

3 (s) The award shall become final 30 calendar days from the date
4 the arbitration award is issued. The arbitrator, upon written
5 application of a party to the arbitration, may correct the award
6 upon the following grounds:

7 (1) There was an evident miscalculation of figures or an
8 evident mistake in the description of any person, things, or
9 property referred to in the award.

10 (2) There is any other clerical error in the award, not affecting
11 the merits of the controversy.

12 An application for correction of the award shall be made within
13 10 calendar days of the date of service of the award by serving a
14 copy of the application on the arbitrator, and all other parties to the
15 arbitration. Any party to the arbitration may make a written
16 objection to the application for correction by serving a copy of the
17 written objection on the arbitrator, the board, and all other parties
18 to the arbitration, within 10 calendar days of the date of service of
19 the application for correction.

20 The arbitrator shall either deny the application or correct the
21 award within 30 calendar days of the date of service of the original
22 award by mailing a copy of the denial or correction to all parties
23 to the arbitration. Any appeal from the denial or correction shall
24 be filed with a court of competent jurisdiction and a true copy
25 thereof shall be filed with the arbitrator or appointed arbitration
26 association within 30 calendar days after the award has become
27 final. The award shall be in writing, and shall be signed by the
28 arbitrator or a majority of them. If no appeal is filed within the
29 30-calendar day period, it shall become a final order of the
30 registrar.

31 (t) Service of the award by certified mail shall be effective if a
32 certified letter containing the award, or a true copy thereof, is
33 mailed by the arbitrator or arbitration association to each party or
34 to a party's attorney of record at their last known address, address
35 of record, or by personally serving any party. Service may be
36 proved in the manner authorized in civil actions.

37 (u) The board shall pay the expenses of one expert witness
38 appointed by the board when the services of an expert witness are
39 requested by either party involved in arbitration pursuant to this
40 article and the case involves workmanship issues that are itemized

1 in the complaint and have not been repaired or replaced. Parties
2 who choose to present the findings of another expert witness as
3 evidence shall pay for those services. Payment for expert witnesses
4 appointed by the board shall be limited to the expert witness costs
5 for inspection of the problem at the construction site, preparation
6 of the expert witness' report, and expert witness fees for appearing
7 or testifying at a hearing. All requests for payment to an expert
8 witness shall be submitted on a form that has been approved by the
9 registrar. All requests for payment to an expert witness shall be
10 reviewed and approved by the board prior to payment. The
11 registrar shall advise the parties that names of industry experts may
12 be obtained by requesting this information from the registrar.

13 (v) The arbitrator shall interpret and apply these rules insofar
14 as they relate to his or her powers and duties.

15 (w) The following shall apply as to court procedure and
16 exclusion of liability:

17 (1) The board, the appointed arbitration association, or any
18 arbitrator in a proceeding under these rules is not a necessary party
19 in judicial proceedings relating to the arbitration.

20 (2) Parties to these rules shall be deemed to have consented that
21 judgment upon the arbitration award may be entered in any federal
22 or state court having jurisdiction thereof.

23 (3) The board, the appointed arbitration association, or any
24 arbitrator is not liable to any party for any act or omission in
25 connection with any arbitration conducted under these rules.

26 SEC. 3. Section 7085.6 of the Business and Professions Code
27 is amended to read:

28 7085.6. (a) (1) The failure of a licensee to comply with an
29 arbitration award rendered under this article shall result in the
30 automatic suspension of a license by operation of law.

31 (2) The registrar shall notify the licensee by certified mail of
32 the failure to comply with the arbitrator's award, and that the
33 license shall be automatically suspended 30 calendar days from the
34 date of that notice.

35 (3) The licensee may appeal the suspension for noncompliance
36 within 15 calendar days after service of the notice by written notice
37 to the registrar.

38 (4) Reinstatement may be made at any time following the
39 suspension by complying with the arbitrator's award and the final
40 order of the registrar. If no reinstatement of the license is made

1 within 90 days of the date of the automatic suspension, the license
2 and any other contractors' license issued to the licensee shall be
3 automatically revoked by operation of law for a period to be
4 determined by the registrar pursuant to Section 7102.

5 (5) The registrar may delay, for good cause, the revocation of
6 a contractor's license for failure to comply with the arbitration
7 award. The delay in the revocation of the license shall not exceed
8 one year. When seeking a delay of the revocation of his or her
9 license, a licensee shall apply to the registrar in writing prior to the
10 date of the revocation of the licensee's license by operation of law
11 and state the reasons that establish good cause for the delay. The
12 registrar's power to grant a delay of the revocation shall expire
13 upon the effective date of the revocation of the licensee's license
14 by operation of law.

15 (b) The licensee shall be automatically prohibited from serving
16 as an officer, director, associate, partner, or qualifying individual
17 of another licensee, for the period determined by the registrar and
18 the employment, election, or association of that person by another
19 licensee shall constitute grounds for disciplinary action. Any
20 qualifier disassociated pursuant to this section shall be replaced
21 within 90 days from the date of disassociation. Upon failure to
22 replace the qualifier within 90 days of the disassociation, the
23 license of the other licensee shall be automatically suspended or
24 the qualifier's classification removed at the end of the 90 days.

25 SEC. 4. Section 7090.1 of the Business and Professions Code
26 is amended to read:

27 7090.1. (a) (1) Notwithstanding any other provisions of law,
28 the failure to pay a civil penalty, or to comply with an order of
29 correction or an order to pay a specified sum to an injured party in
30 lieu of correction once the order has become final, shall result in
31 the automatic suspension of a license by operation of law 30 days
32 after noncompliance with the terms of the order.

33 (2) The registrar shall notify the licensee in writing of the
34 failure to comply with the final order and that the license shall be
35 suspended 30 days from the date of the notice.

36 (3) The licensee may contest the determination of
37 noncompliance within 15 days after service of the notice, by
38 written notice to the registrar. Upon receipt of the written notice,
39 the registrar may reconsider the determination and after
40 reconsideration may affirm or set aside the suspension.

(4) Reinstatement may be made at any time following the suspension by complying with the final order of the citation. If no reinstatement of the license is made within one year of the date of the automatic suspension, the cited license and any other contractors' license issued to the licensee shall be automatically revoked by operation of law for a period to be determined by the registrar pursuant to Section 7102.

(5) The registrar may delay, for good cause, the revocation of a contractor's license for failure to comply with the final order of the citation. The delay in the revocation of the license shall not exceed one year. When seeking a delay of the revocation of his or her license, a licensee shall apply to the registrar in writing prior to the date of the revocation of the licensee's license by operation of law and state the reasons that establish good cause for the delay. The registrar's power to grant a delay of the revocation shall expire upon the effective date of the revocation of the licensee's license by operation of law.

(b) The cited licensee shall also be automatically prohibited from serving as an officer, director, associate, partner, or qualifying individual of another licensee, for the period determined by the registrar, and the employment, election, or association of that person by a licensee shall constitute grounds for disciplinary action. Any qualifier disassociated pursuant to this section shall be replaced within 90 days of the date of disassociation. Upon failure to replace the qualifier within 90 days of the prohibition, the license of the other licensee shall be automatically suspended or the qualifier's classification removed at the end of the 90 days.

SEC. 5. Section 7099.2 of the Business and Professions Code is amended to read:

7099.2. (a) The board shall promulgate regulations covering the assessment of civil penalties under this article which give due consideration to the appropriateness of the penalty with respect to the following factors:

(1) The gravity of the violation.

(2) The good faith of the licensee or applicant for licensure being charged.

(3) The history of previous violations.

(b) Except as otherwise provided by this chapter, no civil penalty shall be assessed in an amount greater than five thousand

1 dollars (\$5,000). A civil penalty not to exceed fifteen thousand
2 dollars (\$15,000) may be assessed for a violation of Section 7114
3 or 7118.

4 SEC. 6. Section 7121 of the Business and Professions Code
5 is amended to read:

6 7121. Any person who has been denied a license for a reason
7 other than failure to document sufficient satisfactory experience
8 for a supplemental classification for an existing license, or who has
9 had his or her license revoked, or whose license is under
10 suspension, or who has failed to renew his or her license while it
11 was under suspension, or who has been a member, officer, director,
12 or associate of any partnership, corporation, firm, or association
13 whose application for a license has been denied for a reason other
14 than failure to document sufficient satisfactory experience for a
15 supplemental classification for an existing license, or whose
16 license has been revoked, or whose license is under suspension, or
17 who has failed to renew a license while it was under suspension,
18 and while acting as a member, officer, director, or associate had
19 knowledge of or participated in any of the prohibited acts for
20 which the license was denied, suspended, or revoked, shall be
21 prohibited from serving as an officer, director, associate, partner,
22 or qualifying individual of a licensee, and the employment,
23 election, or association of this type of person by a licensee shall
24 constitute grounds for disciplinary action.

25 SEC. 7. Section 7122.1 of the Business and Professions Code
26 is amended to read:

27 7122.1. Notwithstanding Section 7068.2 or any other
28 provision of this chapter, the disassociation of any qualifying
29 partner, responsible managing officer, or responsible managing
30 employee from a license after the act or omission has occurred that
31 resulted in a citation pursuant to Section 7099 shall not relieve the
32 qualifying partner, responsible managing officer, or responsible
33 managing employee from responsibility for complying with the
34 citation. Section 7122.5 shall apply to any qualifying partner,
35 responsible managing officer, or responsible managing employee
36 of a licensee that fails to comply with a citation after it is final.

37 SEC. 8. Section 7143 of the Business and Professions Code
38 is amended to read:

39 7143. A license that is suspended for any reason which
40 constitutes a basis for suspension under this chapter, is subject to



1 expiration and shall be renewed as provided in this chapter, but this
2 renewal does not entitle the licensee, while the license remains
3 suspended, and until it is reinstated, to engage in any activity to
4 which the license relates, or in any other activity or conduct in
5 violation of the order or judgment by which the license was
6 suspended.

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